

The year of *wood living*

2023

Corporate Governance Statement



# Introduction

In 2023, Honkarakenne Oyj complied with the Finnish Companies Act and the Finnish Securities Market Association's Finnish Corporate Governance Code 2020. The Corporate Governance Code is publicly available on the Finnish Securities Market Association's website [www.cgfinland.fi](http://www.cgfinland.fi).

The information stipulated by the Corporate Governance Code can be read on Honkarakenne's website under [https://investors.honka.com/en/investors/corporate\\_governance](https://investors.honka.com/en/investors/corporate_governance).

The Corporate Governance Statement is issued separately from the Report by the Board of Directors.

## Descriptions of Corporate Governance

### Shareholders' Nomination Committee

Honkarakenne Oyj has a Shareholders' Nomination Committee. The Nomination Committee is responsible for preparing and presenting to the Annual General Meeting proposals regarding the number, selection and remuneration of the members of the Board of Directors. The Nomination Committee consists of four members, of which the company's four largest shareholders are each entitled to nominate one member. The right to nominate the members representing the shareholders belongs to the four shareholders whose share of the votes produced by all of Honkarakenne's shares, according to the shareholder list maintained by Euroclear Finland Oy, is the largest on the last business day of August before the Annual General Meeting. Honkarakenne's four largest shareholders on 31 August 2023 were Saarelainen Oy, Ark-invest Oy, Marko Saarelainen, CEO

of Honkarakenne Oyj and Nordea Nordic Small Cap Fund. The above-mentioned shareholders have exercised their naming rights. The Nomination Committee works for the time being until the General Meeting decides otherwise. The members of the Nomination Committee are appointed annually and the term of office of the members ends when a new Nomination Committee is appointed.

The members of Honkarakenne's shareholder nomination committee in 2023 were:

- Kalle Saarelainen, appointed by Saarelainen Oy
- Arimo Ristola, appointed by AKR-invest Oy
- Marko Saarelainen, presenting himself and
- Tanja Susanne Eronen, appointed by Nordea Nordic Small Cap Fund.

In its meeting on October 31, 2023, the Nomination Committee elected Kalle Saarelainen as chairman of the Committee and invited Timo Kohtamäki, Chairman of Honkarakenne's Board of Directors, to act as an expert member in the Committee.

The Shareholders' Nomination Committee convened three times. All members attended to all meetings.

By 31.1.2024 the Nomination Committee submitted its proposal on the composition and remuneration of the Board of Directors of Honkarakenne and on the remuneration of the members of the Committee to the Board of Directors of Honkarakenne.

# Composition and activities of the Board of Directors

## *Composition of the Board of Directors*

The 2023 Board of Directors consisted of:

### **Kyösti Saarimäki**

Chairman of the Board until April 20 2023, Member of the Board 2017-2023

- Born in 1950
- M.Sc. (Tech.), M.Sc. (Econ.)
- Board professional
- Independent of the company's principal shareholders
- Independent of the company
- Holds Honkarakenne shares 31 December 2023:
  - 10,000 Series B shares

### **Timo Kohtamäki**

Chairman of the Board since April 20 2023, member since 2017

- Born in 1963
- M.Sc. (Civil engineering), Lic.Tech. (Geotechnical and Environmental)
- Board professional
- Independent of the company's principal shareholders
- Independent of the company
- Holds Honkarakenne shares 31 December 2023:
  - Does not hold any Honkarakenne shares

### **Arto Halonen**

Member of the Board since 2021

- Born in 1965
- Engineer, wood technology
- CEO, Oy Lunawood Ltd
- Independent of the company's principal shareholders
- Independent of the company
- Holds Honkarakenne shares 31 December 2023:
  - 4,630 Series B shares

### **Kari Saarelainen**

Member of the Board since 2018

- Born in 1962
- M.Sc. (Econ.)
- CEO at SunBrandi Oy
- Not independent of the company's principal shareholders
- Covered by the Saarelainen shareholder's agreement
- Independent of the company
- Holds Honkarakenne shares 31 December 2023:
  - 5,950 Series A shares
  - 16,118 Series B shares

### **Maria Ristola**

Member of the Board since 2021

- Born in 1983
- Executive MBA, Nurse, Occupational health nurse
- Sales manager, Lääkärikeskus Aava Oy
- Not independent of the company's principal shareholders
  - Belongs to the family of a principal shareholder
- Independent of the company
- Holds Honkarakenne shares 31 December 2023:
  - Does not hold any Honkarakenne shares

### **Antti Tiitola**

Member of the Board since 2023

- Born in 1967
- Bachelor of Business Administration
- CEO at Konsulantti Oy
- Independent of the company
- Holds Honkarakenne shares 31 December 2023:
  - Does not hold any Honkarakenne shares

More detailed information on the Board of Directors and the members of the Board of Directors' up-to-date information on the company's shares is presented on the company's website.

## Activities of the Board of Directors

The Board of Directors oversees corporate governance and the appropriate arrangement of the company's operations and is responsible for ensuring that the control of the company's accounting and financial management is properly organised. The Board of Directors decides on any far-reaching or fundamentally important matters concerning Honkarakenne.

The President & CEO attends in Board meetings as the Presiding Officer. An external of the Board of Directors attends Board meetings as a secretary. In 2023 CFO Maarit Jylhä acted as Secretary to the Board. Other members of Honkarakenne's Executive Group may attend Board meetings upon invitation. If necessary, experts from inside or outside the company may be invited to attend Board meetings.

In addition to corporate governance and the appropriate arrangement of operations, the Board of Directors' tasks include:

- deciding on the company's strategy, objectives and targets
- approving the Group's action plan and budget
- deciding on company policies
- reviewing and approving financial statements and half-year reports
- making decisions on business acquisitions and arrangements
- making decisions on and approving the Group's financial policies
- making decisions on significant investments, property transactions and contingent liabilities
- approving the Group's reporting procedures and arrangements for the internal audit
- making decisions on the Group's structure and organisation
- drafting the Group's policy on the payment of dividends

- appointing the CEO, Deputy CEO and a substitute for the CEO, and deciding on their compensation and other benefits
- appointing the members of the Executive Group on the proposal of the CEO
- deciding on the Executive Group's reward and incentive systems
- assuming responsibility for the company's value growth
- assuming responsibility for all other duties prescribed for a Board in the Limited Liability Companies Act, Articles of Association or other applicable sources.

The Board of Directors decides annually on its rules of procedure, which include the meeting schedule and the main special topics for each meeting. In addition to special topics, Board meetings discuss the company's current situation and future on the basis of information provided by the President & CEO. In addition to the meetings mentioned in the rules of procedure, Board meetings may be held if necessary. The Chairman of the Board of Directors and the President & CEO prepare the agenda for the issues to be discussed at the meeting.

The General Meeting decides on the fees paid to members of the Board of Directors. The Annual General Meeting of 2023 decided that the Chairman shall be paid a monthly fee of EUR 3,500 and other Board members EUR 2,000. In addition to these monthly fees, Board members are paid per diems and their travel costs are reimbursed against an invoice. The General Meeting decided that, if the Board of Directors decides to appoint a committee from among its members, then members of the Board committee will be paid an attendance fee of EUR 500 per meeting. In 2023, the Board of Directors did not establish committees.

The Board of Directors held a total of 12 Board meetings in 2023. Board members' attendance at these meetings was as follows:

- Kyösti Saarimäki 2/2

- Timo Kohtamäki 12/12
- Kari Saarelainen 12/12
- Maria Ristola 12/12
- Arto Halonen 12/12
- Antti Tiitola 10/10

## Order of appointment of Board members

The Annual General Meeting of Honkarakenne Oyj annually elects a minimum of three and a maximum of eight members to the company's Board of Directors. The Board of Directors elects a chairman from among its members and decides on the establishment of any Board committees and their composition. The term of office of the members of the Board of Directors lasts until the end of the next Annual General Meeting.

## Principles of Board diversity

The company believes that the diversity of the Board of Directors enables decision-making based on different views and information. The aim is to elect the members of the company's Board of Directors in such a way that the size and composition of the Board of Directors meet the company's current and future needs. Members' competencies are considered taking into account, among other things, educational background, work experience, age, gender, independence, usability and personal characteristics.

The Board of Directors assesses the implementation of diversity in its self-assessment.

In accordance with the principle of diversity, the company's goal is for both genders to be represented on the Board of Directors. The company believes it has succeeded in this goal in 2023. Representatives of both genders were represented on the Board of Directors throughout 2023.

## Board Committees

The Board of Directors elected by the Annual General Meeting of 2023 did not establish any separate committees during its organisational meeting or at its other meetings. The Board of Directors as a whole currently handles the tasks specified for the Audit Committee.

## President & CEO

### President & CEO Marko Saarelainen

- Born in 1967
- Hokusei Gakuen University, Sapporo; Sapporo Int'l Language Institute, Sapporo
- Holds Honkarakenne shares 31 December 2023:
  - 25,470 Series A shares
  - 346,300 Series B shares

The Board of Directors appoints a President & CEO who manages the company's operations and administration in accordance with the instructions and regulations issued by the Board of Directors. The President and CEO is responsible for the practical management and planning of the Group's business operations. The President & CEO is responsible for preparing strategically significant measures and implementing the measures decided by the Board. In addition, the President & CEO ensures that the Group's corporate governance functions properly and is responsible for ensuring that the company's accounting is in accordance with the law and that financial management is arranged in a reliable manner.

Board of Executives

Honkarakenne Oyj has an Executive Group, which is chaired by the President & CEO, and which members are the directors from different operational departments. The task of the Executive Group is to assist the President & CEO in the operational management of the

Group's business. The Board of Directors appoints the members of the Executive Group on a proposal made by the President & CEO. The Executive Group convenes regularly (at least once a month) and holds additional meetings as required.

The Executive Group's tasks include preparing monthly reports, investments, Group guidelines and policies, long-term plans, 12-month action plans and the financial statements for approval by the Board of Directors.

In addition to President & CEO Marko Saarelainen, the Executive Group has the following members:

### Juha-Matti Hanhikoski

Vice President, Production

Member of the Executive Group since 2020

- Born in 1984
- B.Sc. (Wood Engineering)
- Holds Honkarakenne shares 31 December 2023:
  - Does not hold any Honkarakenne shares
- Areas of responsibility: production, logistics and planning

### Maarit Jylhä

Vice President, Finance (CFO)

Member of the Executive Group since 2021

- Born in 1967
- M.Sc. (Econ.)
- Holds Honkarakenne shares 31 December 2023:
  - Does not hold any Honkarakenne shares
- Areas of responsibility: finance

### Petri Perttula

Vice President, Operations Finland

Member of the Executive Group since 2021

- Born in 1971
- M.Sc. (Building Construction Technology)
- Holds Honkarakenne shares 31 December 2023:
  - Does not hold any Honkarakenne shares
- Areas of responsibility: business in Finland

### Eino Hekali

Vice President, Product

Member of the Executive Group since 2022

- Born in 1967
- M.Sc.
- Holds Honkarakenne shares 31 December 2023:
  - Does not hold any Honkarakenne shares
- Areas of responsibility: product development

### Maarit Taskinen

Vice President, Operations Export

Member of the Executive Group since 2022

- Born in 1967
- M.A.
- Holds Honkarakenne shares 31 December 2023:
  - Does not hold any Honkarakenne shares
- Areas of responsibility: export business

## Internal supervision procedures and the main principles of risk management

Honkarakenne Oyj does not have an Audit Committee, but the Board of Directors also performs the duties of the Audit Committee. The

Board of Directors is responsible for ensuring internal supervision and risk management and monitoring their effectiveness. The Board of Directors is responsible for ensuring that the Group's internal supervision and risk management are adequate in relation to the scope of operations and that supervision is appropriate. Honkarakenne Oyj has a risk management policy approved by the Board of Directors. In addition to the risk management policy, the Board of Directors has approved the main principles of the limits of authority at Honkarakenne Oyj.

## Risk management

The aim of risk management is to comprehensively identify business-related risks and ensure that risks are properly managed in business-related decision-making. The company's risk management ensures business continuity. Risk management also safeguards the company's brand and ensures compliance with legislation and regulations. No separate organisation has been established to handle risk management – these tasks are handled according to the company's division of responsibilities.

The Board of Directors supervises that the President & CEO runs the company's operational business and administration in accordance with the instructions and regulations issued by the Board of Directors. The Board of Directors reviews the Group's financial reports and material changes in business operations to ensure adequate risk management.

The President & CEO is responsible for monitoring the implementation of risk management principles for the entire Group. The members of the Executive Group are each responsible for their own areas of responsibility. The CFO is responsible for coordinating risk management. The President & CEO and the CFO report significant risks to the Board of Directors.

## Internal control

Internal control seeks to ensure efficient and profitable operations, the production of reliable information, and compliance with regulations and operating principles. Internal control is the responsibility of the Board of Directors and operative management. Honkarakenne Oyj has not established a separate organisation for internal control. Internal control is carried out with the aid of the company's reporting system. Reliable financial reporting is one of the primary objectives of internal control.

The President & CEO is responsible for organising internal control. For instance, the President & CEO ensures that the company's accounting complies with legislation and that financial management is reliably arranged. The Executive Group and other managers are responsible for internal control within their own areas of responsibility.

The Board of Directors approves Honkarakenne Oyj's objectives, annual action plans and budgets. Internal control requires Group-level targets to be set, as these targets are used to derive individual targets for the Group's various companies, units, functions and managers. Honkarakenne's business plan sets quantitative and qualitative targets for different business operations, and progress towards these targets is regularly monitored.

The Chief Financial Officer (CFO) is responsible for setting, maintaining and developing financial steering and reporting requirements and processes. The CFO is also responsible for setting up and mobilising a control system that includes guidance, defining limits of authority, balancing the accounts, Executive Group reports, and non-conformance reports. The CFO controls compliance with all specified processes and controls, and monitors the reliability of financial reporting.

Auditors and other external assessors evaluate the control measures used to ensure the reliability of financial reporting.

The Executive Group produces reports separately and independently from the rest of the company's business operations. For monitoring and controlling its business activities, Honkarakenne uses an appropriate and reliable Enterprise Resource Planning (ERP) system, on which its other information systems and its subsidiaries' systems are based. Honkarakenne has a valid, up-to-date data security policy and supporting data security guidelines.

## Principles of related party transactions

Honkarakenne complies with the legislation related to related party transactions and, in accordance with the legislation and the Corporate Governance Code, ensures that the requirements set for the monitoring, evaluation, decision-making and information of related party transactions are complied with.

Honkarakenne may enter into transactions with its related parties that are part of the company's normal business operations and are made on normal commercial terms in accordance with the decision-making procedure and the company's internal guidelines. Significant transactions and agreements with related parties are handled by the company's Board of Directors. In addition, related party transactions that are not Honkarakenne's ordinary business or that are not carried out on normal commercial terms are decided by Honkarakenne's Board of Directors.

Honkarakenne has defined its related parties. According to Honkarakenne's definition, the Group's related parties consist of subsidiaries and associated companies as well as the company's management and their influential companies, as well as persons

covered by the Saarelainen shareholders' agreement and their controlled companies. The management personnel considered to be related parties comprise the Board of Directors, President & CEO, and the company's Executive Group.

The company's finance department maintains a list of related parties and entities and regularly monitors transactions with them. Completed transactions with related parties are reported to the Board of Directors in connection with the review of the semi-annual reports and financial statements.

## Insiders

Honkarakenne handles inside information and insiders in accordance with all laws and regulations applicable to inside information and trading. The most important statutory regulations are included in the European Union's Market Abuse Regulation (EU/596/2014). Honkarakenne also complies with its own insider policy and the insider guidelines for listed companies approved by Nasdaq Helsinki. Insider lists are also drafted on a project-by-project basis as necessary. Insiders are notified in writing of their insider status and provided with instructions of the obligations of insiders. The CFO is responsible for the company's insiders.

According to Honkarakenne's guidelines, Board of Directors and Executive Group members and other specified employees may not trade in Honkarakenne shares during the 30-day period prior to the publication of half-year reports and financial statement bulletins.

In accordance with the Market Abuse Regulation, Honkarakenne issues a stock exchange release to disclose the securities transactions of those in executive positions and their related parties. Here, 'executive positions' refers only to the President & CEO and members of Honkarakenne's Board of Directors.

## Auditors

Under the provisions of the Articles of Association, Honkarakenne Oyj must appoint one regular auditor and one deputy auditor. If the regular auditor is an auditing firm, no deputy auditor need be appointed. The elected auditors' term covers the remainder of the accounting period during which they were elected and expires at the end of the following Annual General Meeting. The audit covers the Group's accounting, financial statements and corporate governance for the financial year in question.

The auditor reports to the Board of Directors and gives an Auditor's Report to the Annual General Meeting. The Auditor's Report includes a statement on whether the financial statements give a true and fair view, as defined in the rules governing financial reporting, of the Group's operating result and financial position, and whether the information provided in the Directors' Report and Financial Statements is consistent. The Auditor's Report also contains a statement on other key audit matters. The auditor's fee is set by the Annual General Meeting.

At the 2023 Annual General Meeting, Ernst & Young Oy was re-elected as the auditor, with Elina Laitinen, Authorized Public Accountant, as the principal auditor.

In 2023, the auditors were paid EUR 65 thousand for the audit and EUR 4 thousand for other services. In 2022 the audit fee was EUR 58 thousand.





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